

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NEBRASKA**

In the Matter of the Application of)	
Black Hills/Nebraska Gas Company, LLC)	Application No. NG-0086
d/b/a Black Hills Energy for Approval of)	
its Cost of Service Gas Hedge Agreement with)	
Black Hills Utility Holdings, Inc.)	

**REBUTTAL TESTIMONY OF
CHRIS KILPATRICK**

**On Behalf of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy
And
Black Hills Utility Holdings, Inc.**

March 29, 2016

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Christopher J. Kilpatrick, and my business address is 2828 Plant St., Rapid
4 City, South Dakota.

5 **Q. FOR WHOM ARE YOU TESTIFYING?**

6 A. I am testifying on behalf of Black Hills/Nebraska Gas Utility Company, LLC d.b.a. Black
7 Hills Energy (the “Company”).

8 **Q. ARE YOU THE SAME CHRIS KILPATRICK THAT PROVIDED DIRECT**
9 **TESTIMONY IN THIS MATTER?**

10 A. Yes.

11 **II. PURPOSE**

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. The purpose of my rebuttal testimony is to respond to certain matters raised in the direct
14 testimony of witnesses Mr. Michael J. McGarry Sr. on behalf of the Nebraska Public
15 Advocate and the direct testimony of Constellation NewEnergy – Gas Division, LLC
16 (“CNEG”) witness Steve Sorenson.

17 **III. RESPONSE TO MR. MCGARRY’S DIRECT TESTIMONY**

18 **Q. DO YOU AGREE WITH MR. MCGARRY’S ALLEGATION THAT THE TRUE-UP**
19 **CALCULATION INCLUDED IN THE COST OF SERVICE GAS AGREEMENT**
20 **SHIFTS RISK TO CUSTOMERS?¹**

21 A. No. The purpose of the true-up calculation is to ensure customers are only paying actual
22 costs for the Cost of Service Gas (“COSG”) Program. Since the COSG Program is starting
23 from ground zero, a forecast must be used in order to create the Hedge Cost or Hedge Credit.

¹ McGarry Direct Testimony, Page MJM-7, Lines 3-5.

1 These forecasts must then be trued up to actual costs and rate base to ensure customers are
2 only receiving actual performance from the program and not just a forecast of the activity.

3 **Q. DO YOU AGREE WITH THE ACCUSATION BY MR. MCGARRY THAT THE**
4 **COSG PROGRAM CREATES A SCHEME THAT IS BURDENSOME AND**
5 **UNREASONABLE?²**

6 A. No. The COSG Program is designed to provide an opportunity for review and to be able to
7 make a determination of reasonableness. The COSG Program is built with an Accounting
8 Monitor to provide an assurance report on the reasonableness and accuracy of the costs
9 included in the COSG Program. The report by the Accounting Monitor will be completed
10 in March each year for the annual true-up calculation that will be included in customer rates
11 starting in July. The report will provide assurance that the Hedge Cost or Hedge Credit has
12 been calculated correctly and each state is receiving the appropriate amount of the Hedge.
13 Since customer rates would not be adjusted until July, this gives other interested parties
14 from March through June to continue the review process and to make their own
15 determination of reasonableness. Finally, the Commission and intervenors would have the
16 same opportunity they currently have to review true-ups or actual costs reported in the
17 Company's current PGA filings with the Commission.

18 **IV. RESPONSE TO MR. SORENSON'S DIRECT TESTIMONY**

19 **Q. IS THE COMPANY LOOKING TO REVISE ANY TARIFF OTHER THAN THE**
20 **TARIFF ATTACHED TO YOUR DIRECT TESTIMONY AS EXHIBIT CK-3?**

21 A. No. That is the only tariff the Company is proposing to modify.

² McGarry Direct Testimony, Page MJM-18, Lines 4-14.

1 **Q. IN THAT CASE, IS THERE ANY SUPPORT FOR MR. SORENSON'S CLAIM**
2 **THAT THERE IS UNCERTAINTY REGARDING WHICH CUSTOMER**
3 **CLASSES WOULD BENEFIT FROM THE COSG PROGRAM?**³

4 A. No. The COSG Program is clear that it would only impact tariff-rate customers who
5 receive natural gas from the Company under the proposed revised tariff attached to my
6 direct testimony.⁴

7 **Q. IS THERE ANY UNCERTAINTY REGARDING CUSTOMERS' ABILITY TO**
8 **TRANSFER INTO THE CUSTOMER CLASS SUBJECT TO THE REVISED**
9 **TARIFF?**⁵

10 A. No. The COSG Program would not impact (and does not request any changes that would
11 affect) transportation customers, nor does it contain any provision that would impact
12 customers' ability to transfer between customer groups. As such, customers would have
13 whatever transfer rights they currently have.

14 **V. CONCLUSION**

15 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16 A. Yes.

³ Sorenson Direct Testimony, Page 5, Lines 5-8.

⁴ Kilpatrick Direct Testimony, Exhibit CK-3.

⁵ Sorenson Direct Testimony, Page 5, Lines 8-11.